



**INFORMAL COMMENTS OF THE RETAIL ENERGY SUPPLY ASSOCIATION
ON THE CALIFORNIA CUSTOMER CHOICE “GREEN BOOK”
*June 11, 2018***

INTRODUCTION

The Retail Energy Supply Association¹ (“RESA”) is a non-profit trade association representing a broad and diverse group of retail energy suppliers who share the common vision that competitive retail energy markets deliver a more innovative and efficient, customer-oriented outcome than the regulated utility structure. RESA and its members are actively involved in the development of retail and wholesale competition in electricity and natural gas markets throughout the United States. Some RESA members are electric service providers (“ESPs”) serving retail customers in California and others are considering entering the California market.

In 2017, RESA provided comments regarding the Retail Choice *En Banc* and the California Customer Choice Project. RESA is pleased to provide these additional comments addressing the draft “Green Book,” which is entitled *California Customer Choice: An Evaluation of Regulatory Framework Options for an Evolving Electricity Market*, and issued on May 3, 2018 (revised May 17, 2018). With these comments, RESA reiterates its strong commitment to enhanced retail competition and consumer participation in the retail marketplace.

¹ The comments expressed in this submittal represent the position of the Retail Energy Supply Association (RESA) as an organization but may not represent the views of any particular member of the Association. Founded in 1990, RESA is a broad and diverse group of twenty retail energy suppliers dedicated to promoting efficient, sustainable and customer-oriented competitive retail energy markets. RESA members operate throughout the United States delivering value-added electricity and natural gas service at retail to residential, commercial and industrial energy customers. More information on RESA can be found at www.resausa.org.

BECOMING A LEADER FOR RETAIL CHOICE

As RESA has noted in its previous comments, customers have clearly expressed their desires – **customers want choice**. Evidence is right before you in California in the lengthy waiting list for direct access service² and in the rapid expansion of community choice aggregation (CCAs) throughout the state. California should promote and facilitate expansion of choice as its citizen’s demand.

Customers want more than a choice for additional renewable power beyond their default product. They may want the ability to find a rate plan that meets their precise needs, provides free power at certain times of the day, enables full use of their own energy management tools, or permits them to participate in the wholesale energy market. All of these options are readily available to customers elsewhere.³ Why not in California?

The Commission is justifiably proud that California is the “global leader” in clean energy, including energy efficiency and decarbonization.⁴ Yet, California is not the leader in customer choice. Other states have gone further and faster than California and have reaped the rewards. For example, the Green Book noted that Texas has led in the use of smart meters and data transparency and exceeded its renewable energy mandates.⁵ Texas has the most well-developed and open retail choice market, in which all retail customers must choose an electricity supplier and the utilities are no longer “providers of last resort” for retail customers. Evidence shows that states embracing competitive retail electricity markets create the conditions necessary

² The most recent Energy Division annual report on the status of direct access for 2016, dated September 28, 2017, states that about 1,400 customers remained on the waiting list on December 31, 2015, representing about 8,000 GWh of load. For comparison, total direct access load as of December 31, 2016 was about 24,440 GWh.

³ For example, retail suppliers have offered these options to retail customers in Texas.

⁴ Green Book, pp. 5, 13-14.

⁵ Green Book, p. 45.

to stimulate technological innovations and development of customer-oriented energy options.⁶ This result has also been proven here in California when CCA customers have signed up for high renewable energy products and participated in innovative CCA programs.

Now is the time for California and this Commission to lead in providing full retail choice to California consumers. The Commission should fully and unequivocally champion retail customers' right to select an energy supplier of their choosing.

EXPANDING RETAIL CHOICE

To enable full retail choice for consumers, the Commission should first actively pursue removing the current cap on direct access service specified in Public Utilities Code Section 365.1(b), which was added by Senate Bill 695.⁷ In addition, the Commission should address the statutes prohibiting new direct access service to residential customers: (1) Public Utilities Code Section 365.1(a), which suspended direct access service for residential customers; and (2) Public Utilities Code Section 365.1(e), which requires the Commission to report to the Legislature “on the efficacy of authorizing individual retail end-use residential customers to enter into direct transactions, including appropriate consumer protections.” ESPs currently serve about 7,500 residential direct access customers in California,⁸ which is down significantly from the peak of more than 160,000 residential customers on direct access service in 2000. Retail consumers in California will be unable to exercise full energy choice until these current barriers are eliminated.

⁶ See, for example, *Restructuring Recharged -- The Superior Performance of Competitive Electricity Markets 2008-2016*, by Dr. Philip R. O'Connor, April 2017, Retail Energy Supply Association, which was attached as Appendix A to *Comments of the Retail Energy Supply Association on Retail Choice En Banc and White Paper*, June 16, 2017.

⁷ Stats. 2009, Ch. 337.

⁸ *Supplemental Direct Access Activities Report – Statewide Summary*, April 15, 2018.

Accordingly, RESA reiterates its vision to make California a true leader in facilitating the ability of customers to take charge of their own energy futures.⁹

- Remove limitations on direct access service for all customers.
- Investor-Owned Utilities (IOUs) converted to wires-only companies and restricted from offering services that can be provided in the market by third parties.
- Default, provider-of-last-resort (POLR), electric service provided by non-IOUs.
- IOU affiliates operating in any competitive market required to: (1) abide by strict rules that prohibit (a) sharing of IOU staff or costs and (b) marketing using the IOUs' branding or resources; and (2) recover the affiliate's costs of doing business solely in those markets with none of the costs allocated to Transmission or Distribution rates.
- Simplified and workable compliance obligations for all load-serving entities (LSEs).
- Equal and easier access to customer usage data for all LSEs.
- Complete unbundling of the IOUs' electricity rates.
- Expand on options available for ESPs using the IOUs' billing, services to provide more flexibility and permit sales of innovative products and services to direct access customers.

In addition, as noted in RESA's comments on the California Customer Choice Project,¹⁰ adopting a fully competitive retail choice model with 3rd-party providers of POLR service will require modifying a number of current Commission rules, such as ESP financial security, customer protection rules, compliance, and customer data access. RESA also strongly concurs with the Green Book that the Commission will need to review retail market rules and utility cost allocation to ensure competitive neutrality.¹¹

⁹ *Post-Workshop Comments of the Retail Energy Supply Association on the California Customer Choice Project and Workshop on October 31, 2017, November 28, 2017, p. 6.*

¹⁰ *Ibid.*

¹¹ Green Book, pp. 59-60.

MEETING POLICY OBJECTIVES

The Green Book expressly requests comments on how increased customer choice will affect California's key policy objectives of affordability, decarbonization and reliability.¹² The Green Book also indicates concern about the lack of a “plan” to ensure that these key objectives are achieved and the fear that California may “drift” into another Energy Crisis as a result.¹³ RESA believes that increasing retail choice for customers and embracing market solutions will *help*, not hinder, California meet its policy objectives. Further, while markets cannot be “planned,” protections are already in place to prevent another Energy Crisis, which occurred as an outgrowth of a poorly-designed *wholesale*, not retail, market.

Affordability – RESA provided several recent studies and expert reports as Appendices to its comments on the 2017 *En Banc* that document the benefits of competitive retail markets, including the cost savings.¹⁴ In fact, evidence has grown that fully competitive retail markets offer the most benefits to customers and society. Retail electricity suppliers in states with competitive retail markets offer innovative products and services to consumers that provide societal benefits – all at no cost to utility ratepayers.¹⁵ In California, it is clear through the fully-subscribed direct access market and the actively-growing CCA markets that prices offered by alternative retail suppliers are competitive with the rates offered by the IOUs. Since its inception in 1998, retail choice in California has demonstrated that affordable rates can be maintained.

Decarbonization – California, ESPs and direct access customers are united in efforts to decarbonize the grid. ESPs, like all other LSEs, comply with mandates for renewable portfolio

¹² Green Book, p. 5.

¹³ *Ibid.*

¹⁴ *Comments of the Retail Energy Supply Association on Retail Choice En Banc and White Paper*, June 16, 2017, Appendices A through D.

¹⁵ RESA's June 16th Comments, *loc. cit.*, Appendix A, pp. 23-25.

standards (RPS), greenhouse gas (GHG) emissions reductions, and integrated resource planning (IRP). Expanded retail choice will not diminish these efforts. Moreover, results in other competitive retail markets bear this out -- retail suppliers comply with state mandates and customers can more easily achieve their own energy goals for carbon-free and renewable energy with expanded retail choice.

Reliability – The Commission and the California Independent System Operator (CAISO) have implemented a number of programs and requirements since 2001 to ensure reliability. They include Commission requirements for Resource Adequacy (RA) (System, Local and Flexible), energy storage procurement, integrated resource planning, and CAISO requirements for local and flexible capacity needs coupled with backstop procurement authority. These are obligations that all LSEs must meet and expanded retail choice does not change that. Moreover, the Commission has ample ESP registration and enforcement mechanisms in place to ensure compliance. In short, ESPs will continue to meet all state mandates designed to ensure long-term reliability of supply and reliable operation of the grid, as well as decarbonization. There is no reason that reliability cannot be met within the current regulatory environment in a more competitive California market.

CONCLUSION

California consumers have shown they want choice, and through the current regulatory structure and lessons learned from other competitive markets, the State can meet these desires. RESA looks forward to working collaboratively with the Commission to implement a plan to expand retail choice in California and meet its key policy objectives – providing carbon-neutral energy through innovation, empowering consumers to support different renewable technologies, and ensuring reliability.